

Fairfax County Economic Index

Volume II, Number 6

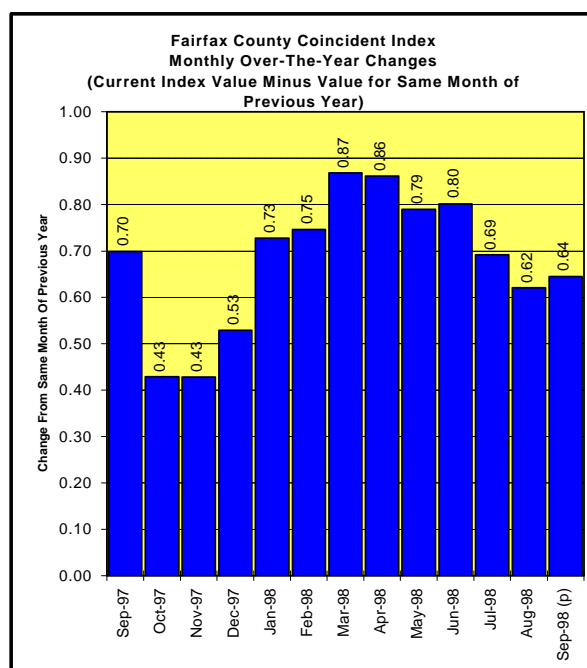
NOVEMBER 1998

Economy Stable in September Outlook Remains Good

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, increased slightly to 104.0 in September, up 0.01 percent from August. The economy's growth peaked in April and, following a slight dip in May, this level of growth has been sustained over the more recent four months. Year-to-date, the Coincident Index has gained 0.65 percent, a marginally slower rate of gain than for the same period in 1997. In September, two of the Index's four components were positive.

- Total employment increased for the third consecutive month and for the seventh month since January; and
- Consumer confidence was up slightly after declining in August; while
- Transient Occupancy Tax collections declined for the fourth month in a row; and
- Sales tax receipts, adjusted for inflation and seasonal variation, were down for a second consecutive month.

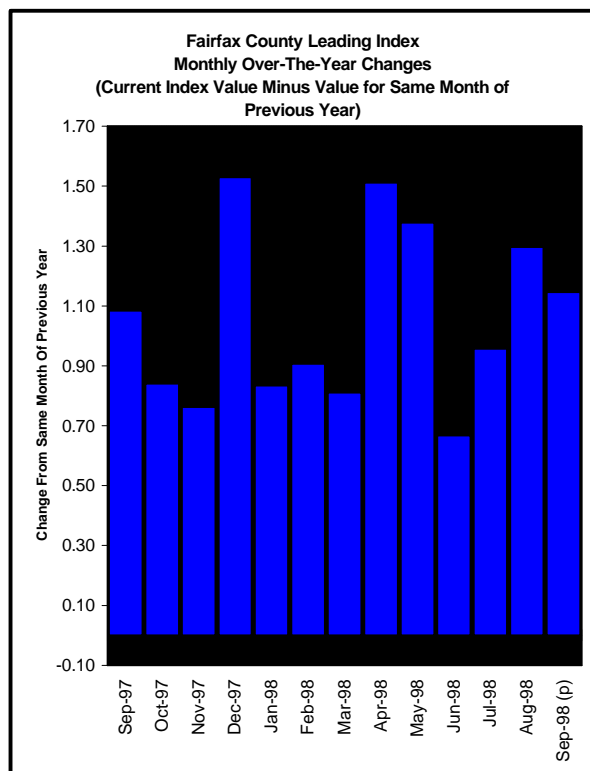
The **Fairfax County Leading Index**, which is designed to forecast the performance of the County's economy 9 to 12 months in advance, was 105.24 in September, up 0.21 percent from August. This is the Index's best performance since April and reverses, at least for a month, a generally downward trend that has characterized the Index



Source: GMU Center for Regional Analysis.

for most of the year. Still, year-to-date, the Index is up 0.62 percent on the strength of April's 0.96 percent increase. In September, relatively strong gains in two of the Index's five components accounted for its overall increase.

- New automobile registrations were up sharply in September more than offsetting their decline in August; and



Source: GMU Center for Regional Analysis.

- The mean value of residential building permits increased substantially, gaining for the second month in a row; while
- Initial claims for unemployment insurance increased (worsened) slightly and have now increased in three of the last four months;
- Consumer expectations (consumer confidence six months hence) dropped sharply in September, declining for the third time in four months; and
- Residential building permits declined for a second consecutive month.

The Fairfax County economy maintained its strong performance through the third quarter. This steady growth over the summer months reflects its broad-based strength. However, beneath this positive performance are some signs of moderation that could be pointing to slower growth in the coming months.

CURRENT CONDITIONS

The Fairfax County economy accelerated slightly in September following the normal seasonal pattern. This continuing strength was evident in its monthly over-the-year gain of 23,869 jobs, an increase of 5.2 percent. This job growth represented a significant increase over recent 12-month periods which have averaged 4.0 percent or approximately 18,000 jobs. This job growth was achieved in the face of continuing slow labor force growth and an unemployment rate of 1.8 percent.

While this high rate of job growth provides a good indication of the County's current economic vitality, the ability to maintain this magnitude of job growth is being threatened by a softening of consumer demand for housing and retail goods. Signs of a major slowing of new home sales appeared in Suburban Maryland in late spring and now has spread into Northern Virginia. September was the first month this year in which new home sales fell below same-month sales in 1997.

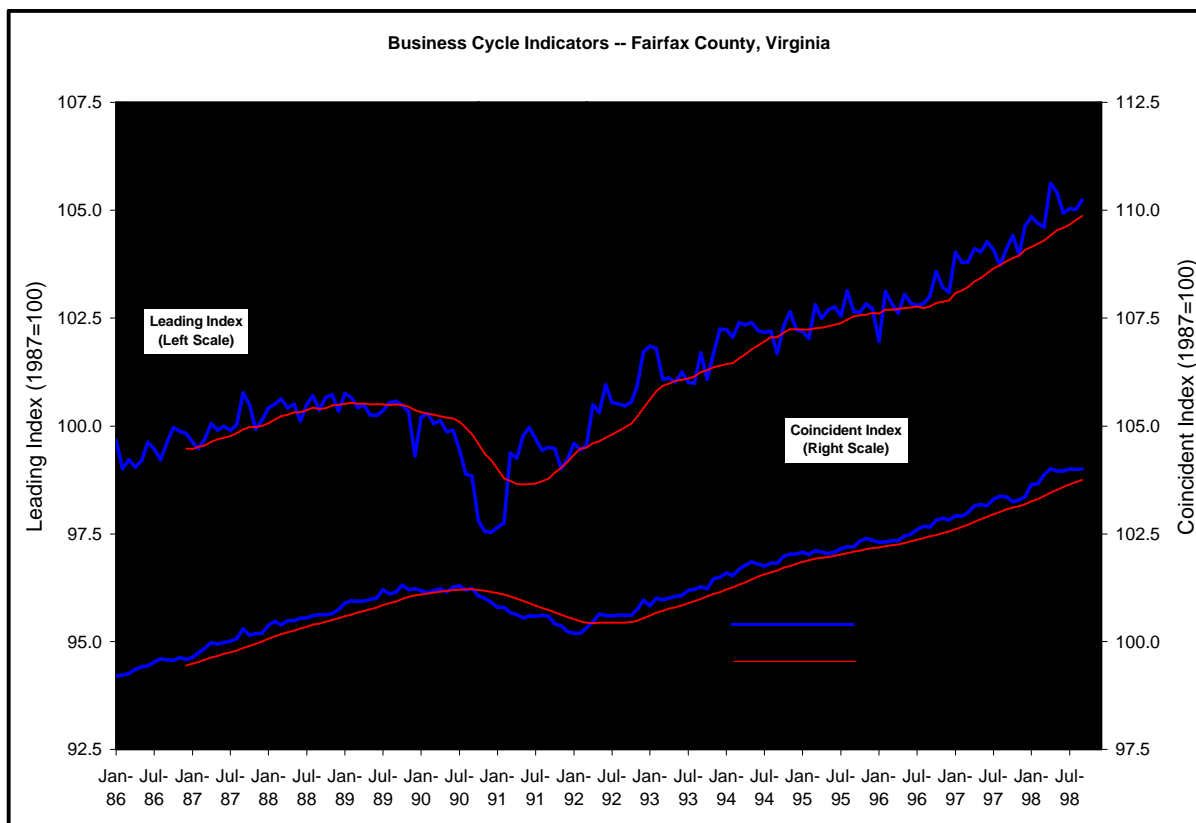
Retail sales have also softened. While September's sales level, adjusted for inflation and seasonal variation, exceed sales in September 1997 by 2.6 percent, nationally monthly over-the-year retail sales in September were up 4.6 percent.

Consumer spending is closely tied to consumer confidence. With continuing uncertainty in the world's financial markets and signs of slowing growth at the national level, consumers could become more cautious over the coming months contributing to slower retail spending during the holiday sales period.

NEAR-TERM OUTLOOK

The Leading Index has been trending lower over most of the year. With the exception of a strong gain in April and a moderate increase in September, the Index has been pointing to a slowdown in the County's economy during the fourth quarter and continuing into 1999.

At the national level, third quarter GDP increased to a 3.3 percent rate after falling to a 1.8 percent rate in the second quarter. However, much of the third quarter gain was inventory build



Source: GMU Center for Regional Analysis.

up that will result in slower growth in subsequent quarters. Forecasts for the national growth rate in 1999 range around 1.9 percent, compared to a 3.3 percent rate estimated for all of 1998 and the 3.9 percent gain in 1997. Slower growth in 1999 is supported by the National Leading Index, which has been unchanged for three months through September and was negative in May and June.

The County's current rate of job growth can not be sustained in a slowing economy. In spite of very low unemployment rates, there are signs of a weaker future labor market. Initial claims for unemployment insurance, while down slightly for the year, have increased (worsened) in three of the last four months. At the national level, the rate of new job growth has already slowed significantly and, at both the national and metropolitan levels, the Help Wanted Index declined in September, down

4.3 and 4.0 percent, respectively.

There are also signs of weaker consumer confidence in the economy's future. Consumer expectations, which had peaked in June, dropped sharply in September declining 14.5 percent from August. If this decline in consumer expectations continues, consumer spending for major purchases will decline. Already, new home sales nationally are forecasted to be 7 percent lower in 1999 than in 1998 and area sales are projected to drop by as much as 10.5 percent in 1999 if consumer confidence continues its downward trend.

Even with these signs pointing to moderation in the County's strong economic growth rate, overall economic growth in 1998 will compare favorably to 1997. In addition, projected 1999 economic growth of 4 percent in the County will exceed metropolitan and national gains.

Fairfax County, Virginia Economic Indicators Current and Previous Months

| Economic Indicator | Estimates | | | Percent Change | |
|--|-------------------|-----------------|-----------------|------------------------|------------------------|
| | Sep-98 Prelim. | Aug-98 Final | Sep-97 Final | Aug-98 to Sep-98 | Sep-97 to Sep-98 |
| Fairfax County Business Cycle Indicators | | | | | |
| Coincident Index (1987 = 100) | 104.00 | 103.99 | 103.36 | 0.01 | 0.62 |
| Leading Index (1987 = 100) | 105.24 | 105.02 | 104.09 | 0.21 | 1.10 |
| Fairfax County Coincident Index Components | | | | | |
| Total Covered Employment (Seasonally Adjusted) | 480,022 | 479,085 | 456,153 | 0.20 | 5.23 |
| <i>Total Covered Employment (Unadjusted)</i> | <i>481,395</i> | <i>479,013</i> | <i>457,458</i> | <i>0.50</i> | <i>5.23</i> |
| Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted) | 318.1 | 318.4 | 281.8 | -0.09 | 12.91 |
| <i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i> | <i>484.1</i> | <i>514.3</i> | <i>411.5</i> | <i>-5.88</i> | <i>17.62</i> |
| Sales Tax Receipts (\$'000='87, Seasonally Adjusted) | 7,381.0 | 7,603.1 | 7,192.3 | -2.92 | 2.62 |
| <i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i> | <i>8,941.3</i> | <i>8,772.6</i> | <i>9,064.2</i> | <i>1.92</i> | <i>-1.36</i> |
| South Atlantic Consumer Confidence | 178.4 | 178.0 | 165.4 | 0.22 | 7.86 |
| Fairfax County Leading Index Components | | | | | |
| New Automobile Registrations (Seasonally Adjusted) | 6,307 | 4,570 | 4,576 | 38.01 | 37.82 |
| <i>Automobile Registrations (Unadjusted)</i> | <i>7,172</i> | <i>5,166</i> | <i>5,204</i> | <i>38.83</i> | <i>37.82</i> |
| Initial Unemployment Claims (Seasonally Adjusted) | 711 | 699 | 786 | 1.65 | -9.57 |
| <i>Initial Unemployment Claims (Unadjusted)</i> | <i>595</i> | <i>645</i> | <i>658</i> | <i>-7.75</i> | <i>-9.57</i> |
| South Atlantic Consumer Expectations | 102.4 | 119.8 | 116.4 | -14.52 | -12.03 |
| Residential Building Permits (Number of Units, Seasonally Adjusted) | 501 | 720 | 263 | -30.50 | 90.43 |
| <i>Residential Building Permits (Number of Units, Unadjusted)</i> | <i>537</i> | <i>810</i> | <i>282</i> | <i>-33.70</i> | <i>90.43</i> |
| Average Residential Building Permit Value (\$='87 Per Unit, Seasonally Adjusted) | 86,174 | 60,408 | 86,719 | 42.65 | -0.63 |
| <i>Average Residential Building Permit Value (\$=Current Per Unit, Unadjusted)</i> | <i>113,734</i> | <i>84,822</i> | <i>110,330</i> | <i>34.08</i> | <i>3.09</i> |
| Fairfax County Labor Force | | | | | |
| Total Labor Force (Seasonally Adjusted) | 547,143 | 542,286 | 535,130 | 0.90 | 2.24 |
| <i>Total Labor Force (Unadjusted)</i> | <i>543,204</i> | <i>549,764</i> | <i>531,277</i> | <i>-1.19</i> | <i>2.24</i> |
| Unemployment Rate (Percent, Seasonally Adjusted) | 1.85 | 1.74 | 2.27 | -- | -- |
| <i>Unemployment Rate (Percent, Unadjusted)</i> | <i>2.00</i> | <i>1.78</i> | <i>2.45</i> | <i>--</i> | <i>--</i> |

Notes: All components included in the indices are seasonally adjusted. In addition, those expressed in dollar value (Average Building Permit Value, Transient Occupancy Tax, and Sales Tax) are expressed in constant 1987 dollars. Initial Claims are inverted prior to inclusion in the Leading Index; that is, an increase in claims results in a decrease in the index and visa versa. Because of its quarterly collection schedule, the Transient Occupancy Tax is smoothed. Unadjusted data (*italics*) and Fairfax County Labor Force data are not included in either index, but are shown for informational purposes. All percent changes are calculated from unrounded data.

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We are on the web at:
**[www.co.fairfax.va.us/comm/
economic/economic.htm](http://www.co.fairfax.va.us/comm/economic/economic.htm)**

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